



IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: June 2015 – Preview Deck

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▶ Market Vista™

Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

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▶ BFSI¹ Business Process

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▶ Human Resources

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▶ Contact Center

▶ Transaction Intelligence

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
 - **BFSI ITO**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**



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¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

Rise of digital consumers, need for business agility, growing costs of regulatory compliance, and threat from non-banking competitors in areas such as payments were the key challenges faced by banks in 2014. Banks are aligning their technology priorities around cost containment, efficiency, risk & compliance management, and transformation. As a result, banks continued to invest in development of specific applications for compliance, risk management, channel-specific initiatives (social, mobile, etc.), and customer analytics

The service provider landscape is intensifying as providers ramp-up their capabilities, invest in innovative technologies, form alliances, and acquire strategic targets to address the growing and complex applications services needs of banks and financial institutions

In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global banking sector. We focus on:

- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in banking
- Emerging priorities of buyers and key investment themes in banking AO
- Future outlook

The research also captures key movements in volumes/values of banking AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

Scope of this report

- **Industry:** Banking (retail banking, commercial banking, credit cards, loans, and mortgages); excludes capital markets and insurance
- **Services:** Large (TCV > US\$25 million), multi-year (>three years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)

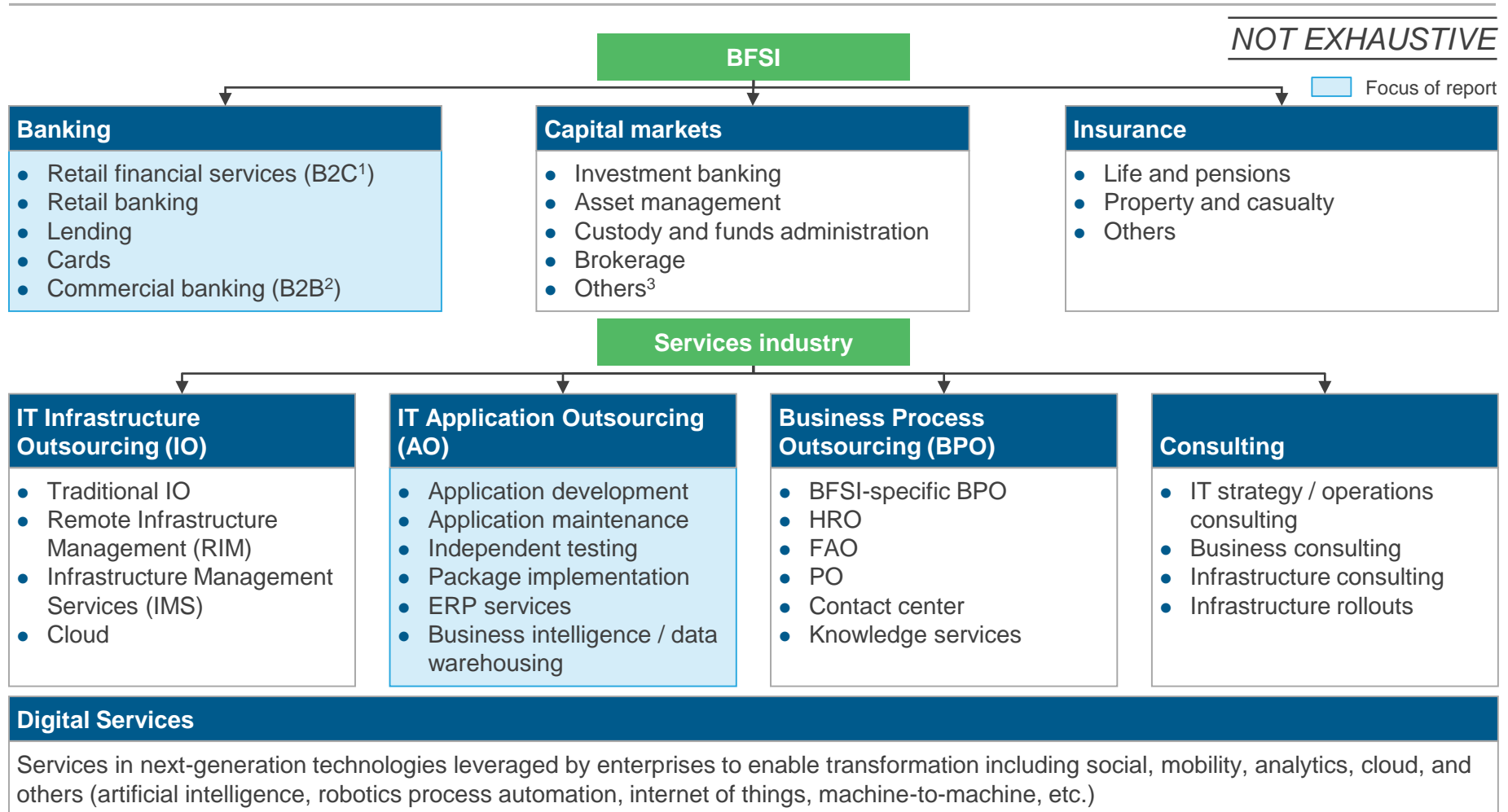
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This report provides an insight into current trends and future outlook for large (TCV > US\$25 million), annuity-based, multi-year (> 3 years) application outsourcing relationships in the global banking sector



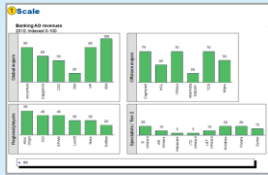
1 Business-to-consumer relationships

2 Business-to-business relationships

3 Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

This report is a part of the Everest Group's series of reports focused on ITO in BFSI in 2015

IT Outsourcing in BFSI – Annual Report

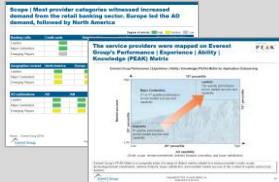


Each report provides:

- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- Global Capital Markets
- Global Insurance

IT Outsourcing in BFSI – Service Provider Landscape



Each report provides:

- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2015 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

- Global Banking
- Global Capital Markets
- Global Insurance
- Banking and Capital Markets (BCM) in Europe
- Insurance in Europe
- Mobility in BCM
- Mobility in Insurance
- Analytics in BCM
- Analytics in Insurance
- Risk and regulatory compliance in BCM

BFSI ITO – Service Provider Profile Compendium



Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:

- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services offerings and delivery footprint

- Global Banking
- Global Capital Markets
- Global Insurance

Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in UK and the U.S. and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in the U.S. retail banks
- APEX Matrix for Digital in UK retail banks

Everest Group's BFSI research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of 500+ large, active, multi-year AO contracts within BFSI (updated annually). The database tracks the following elements of each large AO relationship:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Activity broken down separately for banking, capital markets, insurance, and by LoB (e.g., retail banking, credit cards, and loans & mortgages)
 - Scope includes coverage of buyer's geography as well as functional activities
 - Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Major BFSI AO clients and recent wins
 - Overall revenue, total employees, and BFSI employees
 - Recent BFSI-related developments
 - BFSI AO delivery locations
 - BFSI AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

Overview and abbreviated summary of key messages

This report provides an overview of the application outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for service providers, with regards to such large banking AO deals

Some of the findings in this report, among others, are:

BFSI ITO market overview

- The global ITO market size is estimated to be US\$488 billion in 2014
- The BFSI ITO industry witnessed a decline of ~5% in number of transactions signed and 43% in total value of outsourcing contracts as the total IT outsourcing spend by BFSI buyers reduced due to high cost pressures
- Share (in terms of total ITO transactions) of banking and insurance ITO deals increased while that of capital markets declined in the overall BFSI ITO transaction activity
- Although new deals continued to make up the majority (over 90%) of all ITO deals, the number of new contracts remained flat as compared to last year
- Europe, Middle East, and Africa (EMEA) remained the largest source geography with the maximum number of deals originating from this region

Banking AO overview

- Large banking AO demand registered a decline both in terms of number of new deals as well as total TCV in 2014. During the year, 35 new large banking AO deals were signed
- The industry witnessed an increased demand for application development, testing, and package implementation as banking buyers continued to focus on digital channel enablement, data management (business intelligence, data warehousing, & analytics) and started implementing standard packages for risk & regulatory compliance
- Investment in digital channels (mobile, online, and social), disruption in payments landscape, and emergence of Small and Medium Enterprises as a focus segment have raised demand in retail, cards, and lending LoBs

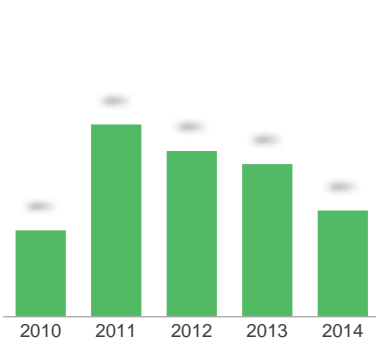
Emerging priorities of buyers, and key technology trends

- Banks are focusing on a triple mandate of “run-the-bank” (focus on efficiency for cost savings), “manage-the-bank” (focus on risk and regulatory compliance for penalty avoidance), and “change-the-bank” (focus on transformation for growth) initiatives
- Key technology trends in banking include vendor consolidation, agile implementation, application modernization, flexible risk & compliance solutions, fraud & risk analytics, channel transformation, payments modernization, and big data analytics

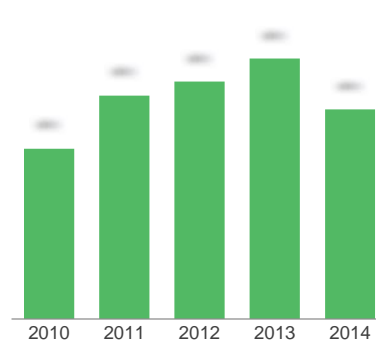
This study offers three distinct chapters providing a deep dive into key aspects of Banking AO market; below are four charts to illustrate the depth of the report

Banking AO transaction analytics

Number of large, active capital markets AO contracts
2010-2014; Number of transactions

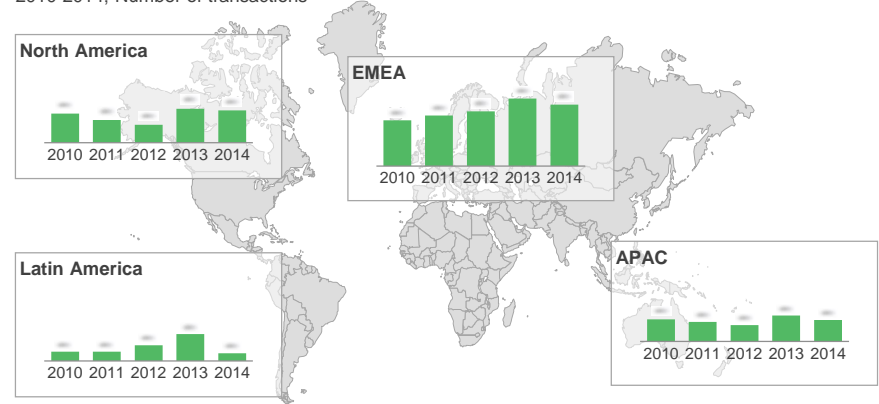


Total TCV of large, active banking AO contracts
2010-2014; US\$ billion



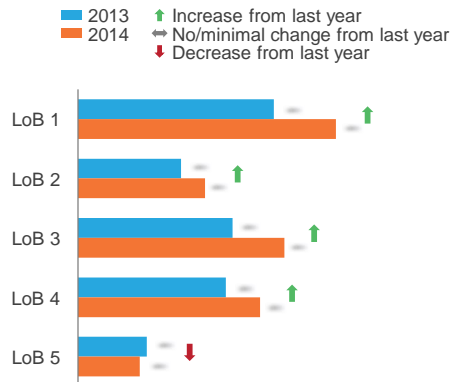
BFSI ITO transactions by source regions

BFSI ITO transactions by geography
2010-2014; Number of transactions



AO subfunctional demand across various LoBs

Banking LoBs included in large AO transactions
Frequency of inclusion

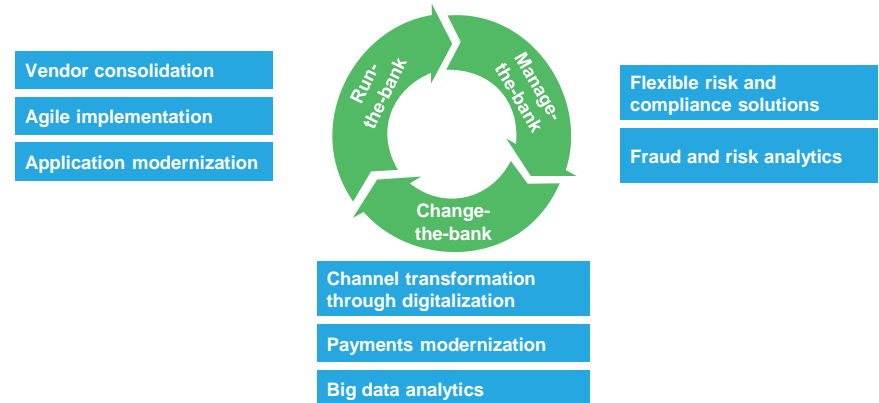


Subfunctional demand across different LoBs
Frequency of inclusion



Emerging priorities of banking buyers

Key focus areas and enterprise priorities



Source: Everest Group (2015)

BFSI ITO research calendar (page 1 of 2)

■ Published
 ■ Current

Topic	Release date
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014	January 2015
IT Outsourcing (ITO) in Insurance – Service Provider Profile Compendium 2014	February 2015
Demand Trends in Mid-Tier and Super-regional Banks in the United States	April 2015
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015	June 2015
IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave	June 2015
Enterprise digital effectiveness – APEX Matrix for digital in U.S. retail banks 2015	Q3 2015
Enterprise digital effectiveness – APEX Matrix for digital in UK retail banks 2015	Q3 2015
IT Outsourcing in Global Capital Markets – Annual Report 2015	Q3 2015
IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
IT Outsourcing in Global Banking – Service Provider Profile Compendium 2015	Q3 2015
IT Outsourcing in Banking and Capital Markets in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
IT Outsourcing in Global Insurance – Annual Report 2015	Q3 2015
IT Outsourcing in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
Mobility in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
Mobility in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015

BFSI ITO research calendar (page 2 of 2)

■ Published
 ■ Current

Topic	Release date
Social media adoption trends in insurance sector	Q3 2015
IT Applications Outsourcing in Capital Markets - Service Provider Profiles Compendium – 2015	Q4 2015
Analytics in Global Banking and Capital Markets - Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Outsourcing in Insurance in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
Analytics in Global Insurance - Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
Cloud Adoption in the Banking and Capital Markets Sectors	Q4 2015
Social media adoption trends in insurance sector	Q4 2015
Payments trends in Global banking, capital markets, and insurance sector	Q4 2015
Risk and regulatory compliance in Global Banking and Capital Markets - Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

1. **IT Outsourcing in Banking – Annual Report 2014: The Return of the King** ([EGR-2014-11-R-1145](#)); 2014. This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2014 with regards to such large banking AO deals
2. **Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance** ([EGR-2014-11-R-1134](#)); 2014. This report provides an overview of regulatory compliance related IT outsourcing in banking and capital markets. It captures key regulations in this space along with their business, technology, and sourcing implications. The report captures key adoption trends and growth in value/volume of regulatory compliance related transactions, and key regulatory compliance-related investments by service providers. Finally, the report provides insights into evolving trends in the market and implications for buyers and service providers
3. **Mobile Banking Adoption Trends** ([EGR-2014-11-R-1109](#)); 2014. This report provides an overview of the global mobile banking and payments market, including mobile payment transaction volume, number of users, and degree of investments in mobility. It also includes region-wise adoption trends in mobile banking and payments across North America, Europe, Middle East and Africa, Asia Pacific, and Latin America along with an in-depth analysis of the mobile banking apps launched by the top American, European, and APAC banks

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About Everest Group

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